

# Financial *Status Report*

June 30, 2018

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through June 30, 2018. It compares revenues and expenditures for Fiscal Year 2017-18 and Fiscal Year 2016-17. In addition, the financial status of the Water and Wastewater Enterprises are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles (GAAP).

## General Fund Balance

The books have been closed for the fiscal year, and the audit is underway. Interest income is shown on an amortized cost basis, and will be adjusted to market value as required by GAAP for presentation in the Comprehensive Annual Financial Report (CAFR). Revenues totaled \$161.8 million, which was \$4.3 million above recent projections. Expenditures and encumbrances at \$160.2 million were \$31.5 million below the budget for the year. During the fiscal year, the city made an additional payment to CalPERS of \$11 million of which \$9.7 million was charged to the General Fund. Even with the additional payment made to CalPERS, it is projected that the General Fund's unassigned fund

balance will increase by \$6.2 million, for a total of just under \$74.4 million, as seen in the chart. The projected unassigned fund balance of \$74.4 million is also net of a \$10 million assignment made by the City Council to address future economic uncertainty needs made a couple of years ago and a \$5.5 million assignment made by the City Council a couple of years ago to address the stabilization of future retirement costs.

<b>GENERAL FUND</b> <b>FISCAL YEAR 2017-18</b> <b>UNASSIGNED FUND BALANCE</b> <b>(unaudited)</b>	
	<b>Actual on a Budgetary Basis</b>
Unassigned Fund Balance 7/1/2017*	\$68,150,179
Revenues/Transfers In**	161,810,108
Expenditures/Encumbrances/Transfers Out	(160,198,252)
Other Changes in Nonspendable, Committed and Assigned***	4,597,656
Unassigned Fund Balance 6/30/2018	<u>\$74,359,691</u>
<small>* Unassigned fund balance does not include \$10,000,000 set aside for economic uncertainty.  ** Interest income is shown on an amortized basis, and will be \$1,957,691 less when adjusted to fair market value as required under GAAP for financial statement reporting.  *** Nonspendable, committed and assigned fund balances include advances and additional amounts not available for spending.</small>	

## General Fund Revenues

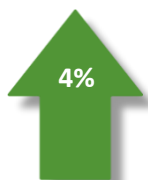


**Property Taxes (\$64.7 million)** – Property taxes reflected a five percent increase over Fiscal Year 2016-17. According to the County of San Diego Assessor's Office, assessed values in Carlsbad increased by 5.36 percent for Fiscal Year 2017-18. This was the fifth year in a row that Carlsbad's assessed values increased from year to year, and in line with assessed value increases with other cities in San Diego County for the year. This reflected continued improvement in the housing market and new construction. The increase in this

year's assessed values was due to a large increase in the assessed values of industrial properties in the city; the city saw smaller increases in residential and commercial property values for the year. This was the third year in a row since the Great Recession ended that the city saw increases in assessed values in all three property components (residential, commercial and industrial).

The primary reasons that property taxes for the fiscal year increased by five percent as compared to the prior fiscal year were:

- Current taxes were up by \$3 million or 5.3 percent due to an increase in assessed values.
- Aircraft taxes were down by \$284,000 due to a decrease in the number of aircraft being housed at the airport.
- Supplemental taxes were up by \$131,000 due to an increase in property resales.
- Payments for previous years' taxes were up by \$78,000 due to an increase in the collection of past due tax bills.
- Unitary taxes were up by \$51,000 due to an increase in assessed values.
- Property taxes received from the former redevelopment area (both the Village and South Coastal Carlsbad areas) were down by \$172,000 due to additional funds given to the city to pay down the advance from the city's General Fund to the former redevelopment area (in lieu of property tax revenues).



**Sales Taxes (\$36.1 million)** – For the fiscal year, sales tax revenues were \$1.5 million (or four percent) higher than the previous fiscal year. The drivers in this increase in revenues were higher sales tax revenues in three of the four fiscal quarters. A strong economy coupled with a revitalization of one of the city's largest shopping venues (The Shoppes at Carlsbad) were major factors in this positive variance.

For sales occurring in the fourth calendar quarter of 2017 (the most recent data available), key gains were seen in restaurants, apparel stores, furniture/appliance, heavy industry, and department stores. During the same period, key declines were seen in leasing, miscellaneous retail, miscellaneous other, and office equipment. The largest economic segments in the city continue to be new auto sales, restaurants, apparel stores, department stores and miscellaneous retail. Together, they generate 68 percent of the city's sales tax revenues.



**Transient Occupancy Tax (\$24.2 million)** – The city's third highest General Fund revenue source on an annual basis is Transient Occupancy Tax (TOT or hotel tax). A tax of 10 percent of the rent amount is collected on all occupancies less than 30 days (transient) in duration. TOT collected for the fiscal year reflected an increase of \$2.0 million, eight percent more than the previous year. Higher room rates and occupancy accounted for a majority of this positive variance. In

addition, the second LEGOLAND Hotel opened at the end of April 2017, contributing to this increase. Year-to-date TOT figures represented taxes collected on hotel receipts through the month of June 2018.

Currently, there are 4,623 hotel rooms, 668 timeshares and 236 registered short-term vacation rentals. The average occupancy of hotel rooms over the most recent 12 months has been 73 percent, two percentage points higher than last year's average at this time.



**Franchise Taxes (\$5.8 million)** – Franchise taxes were generated from public utility sources, such as San Diego Gas & Electric (SDG&E), trash collection franchises, fiber optic antenna systems and cable franchises conducting business within city limits. Year-to-date franchise taxes were \$319,000 higher than the same period last year.

Cable television franchise revenues (Spectrum and AT&T) were down significantly by \$97,000 due to a decrease in the number of paid subscription services (premium video, equipment rental, on-demand, and programming services). An increase in trash collection revenue of \$106,000 was due to more commercial and residential accounts coming online from new development activity within the city. Additionally, revenue for the fiber optic antennae system was down \$7,000 due to a re-negotiation of the lease resulting in a delay of the monthly payments.

SDG&E pays franchise taxes for the use of public land over which they transport gas and electric services. In addition, SDG&E pays an "in-lieu" franchise tax based on the value of gas and electricity transported through SDG&E lines, but purchased from another source. The majority of "in-lieu" taxes collected was from Cabrillo Power, the operator of the Encina Plant. The "in-lieu" tax was put in place to capture the franchise taxes on gas and electricity that is transported using public lands, but which would not otherwise be included in the calculations for franchise taxes. The franchise taxes paid by SDG&E were up by \$317,000 or 13 percent compared to last year. Net electricity sales were up by five percent, while net gas sales were up by 10 percent. The "in-lieu" taxes increased by 54 percent; a reflection of the amount of utilities transported through SDG&E lines but not purchased from SDG&E.



**Development Related Revenues (\$5.2 million)** – Development related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflected a slight decrease for the fiscal year.

Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities, such as plan checks and inspections. Engineering plan check fees are one of the first fees paid during the initial stages of development. Some of the activity in June included development at the Hoover subdivision, the construction of a two-story tilt-up building, the demolition of three existing office buildings and the construction of a 33-unit condominium project, the Six on Madison residential project, the Eucalyptus Lane residential project, the Poinsettia 61 residential project, a five unit condominium project, and a parking modification at SMAC.

One source of development related revenue is building permits, which were up 16 percent compared to last fiscal year. The increase in building permit revenue was derived from the combination of a decrease in the valuation of new construction, a decrease in residential permitting activity, and an increase in commercial/industrial permitting for the year. In addition, some permits that were previously categorized separately are now included as building permits, including plumbing, electrical and mechanical permits. The year-to-date valuation of new construction in the current fiscal year was \$398 million, while it was \$456.6 million in the previous fiscal year, a 12.9 percent decrease. In June, Carlsbad issued building permits for 17 residential dwelling units, an increase from the one dwelling unit permitted in May. In the northwest quadrant, one building permit was issued for a second-dwelling unit. In the northeast quadrant, nine permits were issued for condominiums as part of Phase 3 at Blue Sage, and two second-dwelling units were issued. In the southwest quadrant, five building permits were issued for single-family detached homes as part of Seascape. For the fiscal year, 341 residential permits were issued, as compared to 952 permits issued last fiscal year.

During the month of June, two permits for commercial and industrial space were issued. One permit was issued for retail shell-space as part of Uptown Bressi (7,300 square feet) and a second permit was issued for the Hilton Home Hotel (86,940 square feet). Year-to-date, there was 1,643,467 square feet of commercial/industrial permits issued, as compared to 1,210,995 square feet of commercial/industrial permits issued last fiscal year.



**Business License Tax (\$5.0 million)** – All entities doing business in the City of Carlsbad are required to have a valid business license. Business license revenues were up \$698,000 or 16 percent higher than the previous fiscal year. This was primarily due to a significant number of delinquent payments being made as well as timing differences as compared to last fiscal year.

There are currently 9,894 licensed businesses operating within the city, 1,054 less than the prior year. The majority of taxed businesses (6,673 businesses) are located in Carlsbad, with 2,445 of these businesses home-based.



**Income from Investments and Property (\$4.9 million)** – For the fiscal year, income from investments and property was up \$787,000 compared to the previous fiscal year.

Interest income was up \$610,000 for the year due to the combination of a 2.8 percent increase in the average daily cash balance combined with a 25.9 percent increase in the average yield on the portfolio for the year (an increase in the yield from 1.248 percent last fiscal year to 1.572 percent in the current fiscal year).

Income from property sales and rentals was up by \$177,000 for the year, primarily due an increase in facility and pool lane rentals, and the sale of city property at public auctions, partially offset by a decrease in park rental fees.



**Interdepartmental Charges (\$3.2 million)** – Interdepartmental charges were \$189,000, or six percent, lower than last year. These charges were generated through engineering services charged to capital projects (down 4.9 percent, or \$58,000, due to staffing vacancies earlier in the fiscal year); reimbursed work from other funds (down \$71,000); and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by

departments within the General Fund (down 2.9 percent, or \$60,000), the result of an updated cost allocation plan.



**Recreation Fees (\$3.0 million)** – Recreation fees were generated through instructional classes, camps, youth and adult sports, special events, parent participation preschool, senior programs, and various aquatic programs. Recreation revenues were down by three percent compared to last fiscal year. Staff will continue to evaluate revenue trends and program life cycles to help monitor and improve program performance.



**Ambulance Fees (\$2.4 million)** – The city bills any individual who is transported in one of the city's ambulances. Through June 2018, receipts from ambulance fees were up \$4,000, or 0.2 percent, compared to last fiscal year. Fees collected should have been higher due to the large increase in the number of billable transported patients; however, there were less write-offs for uncollectable ambulance fees in the prior fiscal year. The number of billable transported

patients for Fiscal Year 2017-18 (5,290) versus Fiscal Year 2016-17 (4,834) increased by 9.4 percent.



**Transfer Taxes (\$1.5 million)** – When real property is sold, the County Assessor’s Office charges a transfer tax. The transfer tax rate in San Diego County is \$1.10 per thousand multiplied by the selling price of the property. The city receives 50 percent of the transfer tax charged for sales within the City of Carlsbad. Year-to-date revenues increased modestly, due to strong housing and industrial/commercial development throughout the city.



**Other Charges or Fees (\$1.4 million)** – Other charges or fees were generated through the sale of city documents, such as staff reports, blueprints and copies; general fees collected for false alarms, easements and agreements, weed abatement and kiosk signs; audio/visual rental fees; and general services, such as mutual aid response, mall police services, emergency response services, reports, etc. For the fiscal year, revenues were up by \$130,000 compared to last fiscal year. This increase was due to higher mutual aid response reimbursements and administrative fees received from a new fiber optic franchise agreement. This increase was partially offset by lower fire inspection fees.



**Other Revenue Sources (\$1.3 million)** – Other revenue sources increased by \$162,000 and include revenues received by the city to offset the costs of special studies or projects for developers; reimbursements for damage done to city streets, rights-of-way, and other city-owned property; donations; reimbursement from the Gas Tax Fund for traffic signal maintenance; and miscellaneous reimbursed expenses and refunds of prior year fees. The increase represented a decrease in prior year fee refunds and an increase in contributions for special studies.



**Other Licenses and Permits (\$963,000)** – Other licenses and permits consist of right-of-way, grading, conditional land use, lagoon, and other miscellaneous permit revenues. These permits usually increase/decrease along with increases/decreases in development activity. However, with the implementation of the new permitting system, miscellaneous building, plumbing, electrical and mechanical permits are all now recorded as building permits, not as other licenses and permits, as in prior fiscal years, creating this year’s negative variance.



**Other Intergovernmental Revenues (\$870,000)** – Other intergovernmental revenues included miscellaneous receipts received from the state or federal governments, as well as local school districts. Included in the \$870,000 received this year were the solar rebates from the Center for Sustainable Energy (Alga Norte Park solar project), Police Officer Standard Training (POST) reimbursements, state mandated cost reimbursements, a library adult learning grant, Department of Justice vice/narcotics overtime reimbursements, a state library grant to help maximize internet benefits for patrons, a San Diego Law Enforcement Foundation grant, a federal fire training grant, a grant from SDG&E to purchase heavy weather coats for the CERT program, reimbursement for a coastal warrior exercise, school resource officer reimbursements, a refund from the North County Dispatch for unspent replacement funds, and senior nutrition grants. The increase was a result of additional POST reimbursements as well as a timing difference in the reimbursements received for the city’s school resource officer program.



**Fines and Forfeitures (\$672,000)** – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The city recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. The decrease was due to a large drop in revenues derived from moving violations plus a smaller decrease in revenues received from miscellaneous city fines.



**Homeowners' Exemptions (\$345,000)** – When property taxes are calculated on a particular parcel of property, the first \$7,000 of property value is excluded from the property tax calculation. The state then reimburses the city for this mandated exemption. This reimbursement is entitled Homeowners' Exemption revenue and is shown under intergovernmental revenues.



**Vehicle License Fees (\$60,000)** – Although the city is no longer receiving vehicle license fee (VLF) revenues from the state, the revenues received in the current fiscal year represented a retroactive clean-up payment received by the city for prior fiscal years.



## Expenditures

Total General Fund expenditures, encumbrances and transfers out for Fiscal Year 2017-18 equaled \$160.2 million. This was \$31.5 million less than the budget of \$191.7 million. These “savings” represented an accumulation of efficiency efforts achieved over the past 17 years. Expenditures are shown on a budgetary basis, which means they include all amounts actually spent during the year, plus any money encumbered at the end of the year. A large portion of the \$31.5 million in unspent money will be carried over to the next fiscal year. These “savings” will be used for one-time projects to improve efficiencies and enhance programs in the city.

## Council Contingency

The City Council allocated \$1.5 million out of the General Fund budget for unanticipated emergencies or unforeseen program needs. For the fiscal year, \$275,019 was authorized out of the contingency account as shown in the chart below.

CONTINGENCY ACCOUNT USE OF FUNDS			
EXPLANATION	AMOUNT	DATE	RESOLUTION NUMBER
<b>ADOPTED BUDGET</b>	\$1,500,000		
<b>USES:</b>			
Special Events Grant for In-kind Services for the Lancer Day Homecoming Parade	(\$676)	10/31/2017	City Manager
Community Spirit Grant for In-kind Services for the Veterans Day Remembrance	(126)	12/13/2017	City Manager
Community Spirit Grant for In-kind Services for the Carlsbad Christmas Bureau	(1,409)	12/22/2017	City Manager
Winning Teams Grant for the Carlsbad High School Lancers Dance Team	(4,503)	01/17/2018	City Manager
Membership in Sister Cities International	(1,000)	01/23/2018	2018-008
2018 North Beach Lifeguard Program	(256,718)	02/13/2018	2018-016
Winning Teams Grant for the Valley Middle School Robotics Team	(1,617)	03/20/2018	City Manager
Winning Teams Grant for the Sage Creek High School FTC Robotics Team	(3,883)	04/01/2018	City Manager
Winning Teams Grant for the Pacific Rim Elementary School's Odyssey of the Mind Team	(2,287)	05/15/2018	City Manager
Winning Teams Grant for the Carlsbad High School Speech and Debate Team	(2,800)	05/21/2018	City Manager
<b>TOTAL USES</b>	<u>(275,019)</u>		
<b>AVAILABLE BALANCE</b>	<u><b>\$1,224,981</b></u>		

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

**GENERAL FUND  
REVENUE COMPARISON**

	ESTIMATED REVENUE 2017-18	ACTUAL REVENUE 2016-17	ACTUAL REVENUE 2017-18	ACTUAL 2017-18 COMPARED TO ACTUAL 2016-17	
				DIFFERENCE	%
<b>TAXES</b>					
PROPERTY TAX	\$ 64,311,000	\$61,928,996	\$64,749,966	\$2,820,970	4.6%
SALES TAX	36,472,000	34,543,213	36,052,943	1,509,730	4.4%
TRANSIENT TAX	22,955,000	22,266,978	24,233,536	1,966,558	8.8%
FRANCHISE TAX	5,401,000	5,475,264	5,794,190	318,926	5.8%
BUSINESS LICENSE TAX	5,097,000	4,327,839	5,025,693	697,854	16.1%
TRANSFER TAX	1,134,000	1,393,460	1,463,149	69,689	5.0%
<b>TOTAL TAXES</b>	<b>135,370,000</b>	<b>129,935,750</b>	<b>137,319,477</b>	<b>7,383,727</b>	<b>5.7%</b>
<b>INTERGOVERNMENTAL</b>					
VEHICLE LICENSE FEES	60,000	50,591	59,863	9,272	18.3%
HOMEOWNERS EXEMPTIONS	348,000	348,206	344,611	(3,595)	-1.0%
OTHER	559,000	748,391	870,030	121,639	16.3%
<b>TOTAL INTERGOVERNMENTAL</b>	<b>967,000</b>	<b>1,147,188</b>	<b>1,274,504</b>	<b>127,316</b>	<b>11.1%</b>
<b>LICENSES AND PERMITS</b>					
BUILDING PERMITS	2,072,000	1,755,690	2,035,681	279,991	15.9%
OTHER LICENSES & PERMITS	1,072,000	1,278,314	963,496	(314,818)	-24.6%
<b>TOTAL LICENSES &amp; PERMITS</b>	<b>3,144,000</b>	<b>3,034,004</b>	<b>2,999,177</b>	<b>(34,827)</b>	<b>-1.1%</b>
<b>CHARGES FOR SERVICES</b>					
PLANNING FEES	703,000	838,399	809,152	(29,247)	-3.5%
BUILDING DEPT. FEES	1,126,000	1,342,253	1,189,359	(152,894)	-11.4%
ENGINEERING FEES	1,096,000	1,307,218	1,207,113	(100,105)	-7.7%
AMBULANCE FEES	2,327,000	2,406,545	2,410,423	3,878	0.2%
RECREATION FEES	3,000,000	3,121,568	3,035,473	(86,095)	-2.8%
OTHER CHARGES OR FEES	857,000	1,251,170	1,380,868	129,698	10.4%
<b>TOTAL CHARGES FOR SERVICES</b>	<b>9,109,000</b>	<b>10,267,153</b>	<b>10,032,388</b>	<b>(234,765)</b>	<b>-2.3%</b>
<b>FINES AND FORFEITURES</b>	<b>600,000</b>	<b>696,784</b>	<b>671,641</b>	<b>(25,143)</b>	<b>-3.6%</b>
<b>INCOME FROM INT &amp; PROPERTY</b>	<b>4,133,000</b>	<b>4,118,343</b>	<b>4,905,094</b>	<b>786,751</b>	<b>19.1%</b>
<b>INTERDEPARTMENTAL CHARGES</b>	<b>3,149,000</b>	<b>3,344,623</b>	<b>3,155,582</b>	<b>(189,041)</b>	<b>-5.7%</b>
<b>OTHER REVENUE SOURCES</b>	<b>1,057,000</b>	<b>1,105,412</b>	<b>1,267,845</b>	<b>162,433</b>	<b>14.7%</b>
<b>TRANSFERS IN</b>	<b>10,000</b>	<b>10,000</b>	<b>184,400</b>	<b>174,400</b>	<b>1744.0%</b>
<b>TOTAL GENERAL FUND</b>	<b>\$157,539,000</b>	<b>\$153,659,257</b>	<b>\$161,810,108</b>	<b>\$8,150,851</b>	<b>5.3%</b>



**GENERAL FUND  
EXPENDITURE STATUS BY DEPARTMENT**

DEPT DESCRIPTION	TOTAL BUDGET FY 2017-18	AS OF 06/30/18		
		ACTUAL ON A BUDGETARY BASIS (b)	UNDER/ (OVER) BUDGET (c)	% UNDER/ (OVER) BUDGET
<b>POLICY/LEADERSHIP GROUP</b>				
CITY COUNCIL	\$556,157	\$438,435	\$117,722	21.2%
CITY MANAGER	2,925,256	2,596,483	328,773	11.2%
COMMUNITY OUTREACH AND ENGAGEMENT	2,203,020	1,938,824	264,196	12.0%
CITY CLERK AND RECORDS MANAGEMENT	1,130,029	927,287	202,742	17.9%
CITY ATTORNEY	1,849,585	1,646,749	202,836	11.0%
CITY TREASURER	265,779	236,141	29,638	11.2%
<b>TOTAL POLICY/LEADERSHIP</b>	<b>8,929,826</b>	<b>7,783,919</b>	<b>1,145,907</b>	<b>12.8%</b>
<b>ADMINISTRATIVE SERVICES</b>				
FINANCE	5,769,680	5,028,757	740,923	12.8%
HUMAN RESOURCES	4,289,567	3,874,499	415,068	9.7%
<b>TOTAL INTERNAL SERVICES</b>	<b>10,059,247</b>	<b>8,903,256</b>	<b>1,155,991</b>	<b>11.5%</b>
<b>PUBLIC SAFETY</b>				
POLICE	39,203,004	35,640,193	3,562,811	9.1%
FIRE	24,284,313	23,019,039	1,265,274	5.2%
<b>TOTAL PUBLIC SAFETY</b>	<b>63,487,317</b>	<b>58,659,232</b>	<b>4,828,085</b>	<b>7.6%</b>
<b>COMMUNITY SERVICES</b>				
COMMUNITY AND ECONOMIC DEVELOPMENT	12,372,093	11,086,357	1,285,736	10.4%
HOUSING AND NEIGHBORHOOD SERVICES	1,571,948	1,469,107	102,841	6.5%
LIBRARY AND CULTURAL ARTS	14,323,878	16,994,251	(2,670,373)	-18.6%
PARKS AND RECREATION	18,617,238	12,345,850	6,271,388	33.7%
<b>TOTAL COMMUNITY SERVICES</b>	<b>46,885,157</b>	<b>41,895,565</b>	<b>4,989,592</b>	<b>10.6%</b>
<b>PUBLIC WORKS</b>				
PUBLIC WORKS ADMINISTRATION	2,841,337	1,592,158	1,249,179	44.0%
ENVIRONMENTAL MANAGEMENT	922,082	706,964	215,118	23.3%
GENERAL SERVICES	10,399,806	8,942,494	1,457,312	14.0%
TRANSPORTATION	7,929,485	7,159,434	770,051	9.7%
<b>TOTAL PUBLIC WORKS</b>	<b>22,092,710</b>	<b>18,401,050</b>	<b>3,691,660</b>	<b>16.7%</b>
<b>NON-DEPARTMENTAL &amp; CONTINGENCY</b>				
OTHER NON-DEPARTMENTAL (a)	26,092,496	11,642,014	14,450,482	55.4%
TRANSFERS OUT	12,913,216	12,913,216	0	0.0%
CONTINGENCY	1,224,981	0	1,224,981	100.0%
<b>TOTAL NON-DEPT &amp; CONTINGENCY</b>	<b>40,230,693</b>	<b>24,555,230</b>	<b>15,675,463</b>	<b>39.0%</b>
<b>TOTAL GENERAL FUND</b>	<b>\$191,684,950</b>	<b>\$160,198,252</b>	<b>\$31,486,698</b>	<b>16.4%</b>

(a) Other non-departmental includes technology innovation, property tax administration fees, assessment district administration, citywide litigation expenses, and other items not attributed to a specific department.

(b) Actual expenditures on a budgetary basis include encumbrances and exclude non-budgeted items.

(c) These "savings" represent an accumulation of efficiency efforts achieved over the past seventeen years.

# Water Enterprise

WATER OPERATIONS FUND					
JUNE 30, 2018					
	BUDGET FY 2017-18	YTD (*) 06/30/2017	YTD (*) 06/30/2018	CHANGE FROM YTD 2016-17 TO YTD 2017-18	PERCENT CHANGE
<b>REVENUES:</b>					
WATER DELIVERY	\$ 35,300,000	\$ 37,135,664	\$ 41,197,309	\$ 4,061,645	10.9%
INTEREST	251,000	294,000	424,798	130,798	44.5%
MISC. SERVICE CHARGES	296,000	332,284	318,035	(14,249)	-4.3%
PROPERTY TAXES	3,605,000	3,567,991	3,744,250	176,259	4.9%
FINES, FORFEITURES & PENALTIES	260,000	257,098	299,229	42,131	16.4%
OTHER REVENUES	648,000	1,267,942	592,294	(675,648)	-53.3%
<b>TOTAL OPERATING REVENUE</b>	<b>40,360,000</b>	<b>42,854,979</b>	<b>46,575,915</b>	<b>3,720,936</b>	<b>8.7%</b>
<b>EXPENSES:</b>					
STAFFING	4,352,080	3,488,705	3,271,878	(216,827)	-6.2%
INTERDEPARTMENTAL SERVICES	2,243,082	2,237,589	2,196,625	(40,964)	-1.8%
PURCHASED WATER	22,800,000	20,627,785	24,053,504	3,425,719	16.6%
MWD/CWA FIXED CHARGES	6,800,000	6,712,553	6,596,476	(116,077)	-1.7%
OUTSIDE SERVICES/MAINTENANCE	1,643,326	701,809	942,609	240,800	34.3%
DEPRECIATION/REPLACEMENT	3,910,000	3,807,307	3,910,000	102,693	2.7%
MISCELLANEOUS EXPENSES	1,342,641	1,082,243	1,096,522	14,279	1.3%
CAPITAL OUTLAY	31,530	3,839	49,744	45,905	1195.8%
<b>TOTAL OPERATING EXPENSES</b>	<b>43,122,659</b>	<b>38,661,830</b>	<b>42,117,358</b>	<b>3,455,528</b>	<b>8.9%</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>\$ (2,762,659)</b>	<b>\$ 4,193,149</b>	<b>\$ 4,458,557</b>	<b>\$ 265,408</b>	<b>6.3%</b>
(*) Adjusted to reflect timing differences for water purchases and depreciation.					

## Revenues



- The increase in water delivery revenues was the result of an average 2.5 percent increase in water rates charged to our customers (water sales and delivery charges) that went into effect in January 2018, coupled with an 11 percent increase in water sales during the fiscal year due to less restrictive water usage constraints and drier weather.
- An 11.8 percent increase in the average cash balance combined with a 25.9 percent increase in the yield in the Treasurer's portfolio led to higher interest earnings.
- The decrease in miscellaneous service charges was primarily due to decreases in backflow devices, new account charges and quick turn-on revenues.
- The increase in property taxes were the result of an increase in assessed values.
- The increase in fines, forfeitures and penalties was due primarily to an increase in late charge revenues.
- The decrease in other revenues was due to a prior year reimbursement from Poseidon related to third party consultant costs in connection with the construction of the desalinated water pipeline.

## Expenses



- For Fiscal Year 2017-18, a total of 2.25 full-time positions were allocated to other programs from the Water Enterprise to better reflect each programs' workload.
- A 4.3 percent rate increase in the variable cost of water purchased from the San Diego County Water Authority (SDCWA) coupled with a 10 percent increase in the amount of water purchased, represented the primary drivers in this variance.
- Decreases in the calendar year 2017 SDCWA fixed charges led to lower fixed charges.
- Increases in software services to support remote meter reading along with pipeline maintenance costs led to higher outside services/maintenance expenses.
- Increases in parts, meters and fittings were the largest factors in the miscellaneous expenses variance.
- The purchase of tablets to increase operational efficiencies for maintenance crews in the field and increased fleet charges accounted for the increase in capital outlay expenses.

## Wastewater Enterprise

WASTEWATER OPERATIONS FUND					
JUNE 30, 2018					
	BUDGET FY 2017-18	YTD (*) 06/30/2017	YTD (*) 06/30/2018	CHANGE FROM YTD 2016-17 TO YTD 2017-18	PERCENT CHANGE
<b>REVENUES:</b>					
CHARGES FOR CURRENT SERVICES	13,035,000	13,379,500	13,794,968	415,468	3.1%
INTEREST	75,000	115,790	167,579	51,789	44.7%
OTHER REVENUES	290,000	307,382	244,608	(62,774)	-20.4%
<b>TOTAL OPERATING REVENUE</b>	<b>13,400,000</b>	<b>13,802,672</b>	<b>14,207,155</b>	<b>404,483</b>	<b>2.9%</b>
<b>EXPENSES:</b>					
STAFFING	2,691,729	2,076,545	2,441,888	365,343	17.6%
INTERDEPARTMENTAL SERVICES	1,323,235	1,284,390	1,321,072	36,682	2.9%
ENCINA PLANT SERVICES	3,915,519	3,287,973	3,502,829	214,856	6.5%
OUTSIDE SERVICES/MAINTENANCE	750,723	245,115	202,311	(42,804)	-17.5%
DEPRECIATION/REPLACEMENT	3,650,000	3,622,476	3,650,000	27,524	0.8%
MISCELLANEOUS EXPENSES	713,795	554,282	641,620	87,338	15.8%
CAPITAL OUTLAY	238,261	3,277	237,666	234,389	7152.5%
<b>TOTAL OPERATING EXPENSES</b>	<b>13,283,262</b>	<b>11,074,058</b>	<b>11,997,386</b>	<b>923,328</b>	<b>8.3%</b>
<b>OPERATING INCOME/LOSS</b>	<b>116,738</b>	<b>2,728,614</b>	<b>2,209,769</b>	<b>(518,845)</b>	<b>-19.0%</b>
(*) Adjusted to reflect timing differences for Encina quarterly invoices and depreciation.					

### Revenues



- Charges for current services were up slightly due to increases in development.
- Cash balances in the fund increased by 15.5 percent from last year, combined with an increase in the average yield on the portfolio of 25.9 percent, impacted interest earnings for the year.
- The decrease in other revenues was driven primarily by the engineers within the Enterprise charging less of their time to capital improvement projects.

### Expenses



- For Fiscal Year 2017-18, a total of 1.1 full-time positions were reallocated to the Wastewater Enterprise from other programs to better reflect each programs' workload.
- Additional utility billing chargebacks, miscellaneous interdepartmental charges and general liability chargebacks led to higher interdepartmental charges.
- A timing difference in pension payments for Encina's unfunded liability drove this year's variance.
- Outside services/maintenance decreased due to prior year easement cleanings not needed during the current year.
- Depreciation expenses have been increasing on an annual basis as the Enterprise acquires new equipment/infrastructure and replaces old equipment/infrastructure.
- Increases in miscellaneous expenses were primarily due to the acquisition of asset management software.
- The purchase of a new vactor truck was the primary driver in the capital outlay variance.